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RUEHHK/AMCONSUL HONG KONG PRIORITY 7920  
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000909

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SUBJECT: KMT LY SPEAKER WANG JIN-PYNG: DEFENSE BUDGET  
DEADLOCK CONTINUES

Classified By: AIT Director Stephen M. Young,  
Reason(s): 1.4 (B/D).

¶1. (C) Summary: KMT Legislative Yuan Speaker Wang Jin-pyng told the Director on April 23 that the KMT will continue to block passage of the annual and defense budgets until the DPP relinquishes control of the Central Election Commission (CEC). The KMT is locked in a "life or death" struggle with the DPP over reorganization of the CEC, which is currently stacked with partisans of the DPP, which the ruling party uses to slant elections in its favor. Wang, who did not expect much to come of KMT Honorary Chairman Lien Chan's ongoing visit to the PRC, would still like to visit China himself, but has not yet received the green light from Beijing. End Summary.

Disappointment on Defense Budget  
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¶2. (C) The Director informed Wang he had recently returned from Washington, where there was increasing concern that Taiwan's domestic political wrangling is doing serious harm to the delicate cross-Straits security equation. The DPP is causing the turmoil, Wang claimed, by pushing its "name rectification" campaign and by threatening referenda on a new constitution and U.N. membership for "Taiwan." That may be true, the Director responded, but the KMT and PFP deserve blame for continuing to block the defense budget. Many in Washington have "almost lost hope" that Taiwan can resolve its defense budget problem.

Life or Death Struggle  
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¶3. (C) Wang argued that the KMT is locked in a "life or death" struggle with the DPP over the Central Election Commission (CEC) and repeated what he has told us in the past: the CEC is stacked with DPP loyalists, who will use their majority to pass measures designed to favor the DPP at the polls. The CEC is now planning to combine the legislative and presidential elections and to put one or more "Green" (pro-independence) referenda (in addition to a referendum on KMT party assets) on the ballot -- both measures which, according to Wang, will adversely affect KMT chances at the polls. Aside from holding the defense budget

hostage, Wang lamented, the KMT has no other means to leverage a DPP compromise on the CEC.

#### KMT Forced to Cooperate with PFP

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14. (C) The Director told Wang that Taiwan's continued inaction on the defense budget is driving a wedge between Taiwan and the United States. Democratic competition is healthy, he continued, but not when it enables partisan bickering to damage core national interests. Wang agreed, but claimed that intense KMT-DPP competition, as exemplified by the "Ma Exclusion Bill," had eliminated the middle ground. (Note: The DPP hopes to pass legislation barring anyone convicted of corruption in the first trial from running for president or vice president. Ma, who is currently on trial for corruption, is widely considered the bill's target. End note.)

15. (C) The Director asked Wang why the KMT continued to allow the much smaller, weaker People First Party (PFP) to stifle progress on the defense budget. Echoing an argument Ma Ying-jeou has frequently used with us, Wang said the KMT must maintain good relations with the PFP in order to preserve the pan-Blue majority in the LY. This is especially true now, with the "Exclusion Bill" hanging over Ma's head.

#### Wang VP Question "Premature"

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16. (C) In a unexpected show of support for his long-time political rival, Wang said it was "unfair" of the DPP to aim legislation directly at Ma's presidential campaign. At the same time, Wang remarked that Ma could be convicted because

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he treated funds intended for public use as his personal income. Wang suggested the KMT should prepare a fall-back plan to replace Ma as the party's presidential candidate if he is convicted. The Director asked Wang if he would accept Ma's offer to become his vice-presidential running mate. Wang said the question was premature, since Ma had not yet received the nomination and it was not clear he would escape from the corruption trial unscathed.

#### Low Expectations for Lien's Visit

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17. (C) Wang said he did not know what KMT Honorary Chairman Lien Chan hoped to accomplish during his ongoing visit to the PRC. No matter what agreements Lien managed to secure, the ruling DPP would not accept or implement them, he added. Wang said he would like to visit the PRC, but Beijing has not yet given him the green light.

#### Comment

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18. (C) Wang, who was surprisingly gentle in his comments on Ma, who he has roundly attacked in previous meetings with us. He also pointedly is not yet ruling out the prospect of serving as Ma's vice-presidential running mate. His remarks on the defense budget were transparently self-serving: the DPP, not the KMT (or himself), is to blame for refusing to compromise on the CEC, the KMT's precondition for defense budget action. We have little doubt if the tables were turned the KMT would gladly defend its ability to use the CEC for political gain. Wang also repeated Ma's standard argument: the KMT can't break with the PFP on the defense budget or other issues because it needs PFP cooperation to maintain the razor thin legislative majority that enables it to defeat hostile DPP legislation. Wang's remarks gave no grounds for optimism on near-term prospects for a breakthrough on defense spending.

YOUNG